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BRINGING THE WORLD  
TO YOUR DOOR

(GPO 1990)

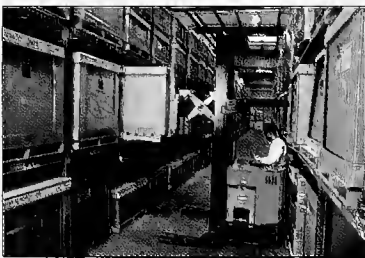
**W**hether they arrive by boat, plane, train or truck, many of the products you use each day have probably passed through a foreign-trade zone (FTZ) or an FTZ subzone at some point. ◇ FTZ products range from that cold glass of orange juice in the morning and the refrigerator that chilled it, to that hair dryer that whipped your hair into shape. Later in the day, you'll likely find yourself punching up numbers on a calculator, finalizing deals on the phone or updating information on your computer. Each of those business products probably was assembled or spent some time in an FTZ. ◇ You may finish the day off with a relaxing cocktail, a glass of imported wine or beer. At some time



FTZ #44 - MT. OLIVE, NJ

you'll buy your favorite person a beautiful piece of jewelry or a nice watch, and you'll likely take a picture of the kids during a family outing. Somewhere along the line, an FTZ probably had something to do with making all those activities possible. ◇ Ironically, the wide-ranging advantages provided by FTZ operations are still largely unexplored by a vast number of companies, large and small. The surprising flexibility of an FTZ offers businesses a host of options (see center-spread illustration) that can actually cut costs, reduce duty rates or defer applicable tariffs to keep cash flow healthy and strong. ◇ In the pages that follow, you'll find numerous examples of how companies of all sizes are cashing in on the FTZ advantage. There's even a worksheet to help you get started. But your first and best resource for helpful advice is an

FTZ itself, like the ones listed in the following pages. In addition, there is the National Association of Foreign-Trade Zones, which assisted in this effort, and any number of consultants who know the intricacies of U.S. Customs regulations and FTZ operations. ◇ All of these experts enjoy the work they do and they're always looking for new opportunities to help companies explore a whole new world of possibilities. ◇ Give them a call. ◇ You and your bottom line will be glad you did.



FTZ #143 - WEST SACRAMENTO, CA



FTZ #64 - JACKSONVILLE, FL

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There are plenty of resources to find out exactly what FTZs can and can't do for your company. Sit down and talk with any one of them and you could give your bottom line quite a surprise.

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Take a few moments and jot down some rough figures. FTZ/subzone status has the power to put some punch in your profits *and* productivity.

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#### Subzones getting more attention .....14/15

If you're trying to put it all together — especially if you are using any foreign components or materials — FTZ subzone status may be the way to do it for a lot less.

#### How to speak FTZ .....23

While English is still the international language of business, this helpful glossary of terms in the "FTZ dialect" will help make things a little clearer as you begin exploring the wide, wide world of FTZs.

**FTZ  
#48**

**TUCSON,  
ARIZONA**

**FTZ SERVICES**

general warehouse; transportation coordination; third-party logistics; repackaging/ relabeling services; computerized inventory control

**CONTACT**

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Foreign-Trade Zone #48  
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Tel: 602-741-1940  
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**Y**ou don't have to be on the West Coast and spend a lot of money to tap markets and suppliers in the Pacific Rim or Mexico. The Papago-Tucson FTZ, near downtown Tucson, offers convenient, single-day access to West Coast ports and markets; all the benefits of FTZ duty deferral/exemption; and a whole lot more. ◇ Located adjacent to the Tucson International Airport and the Southern Pacific Railroad, FTZ #48 is on a small portion of the nation's second largest Indian reservation — the Tohono O'odham (formerly Papago) Nation. Because it's in an autonomous region within the

United States, FTZ users enjoy many exemptions from state taxes, as well as the opportunity to secure low-cost factory shells, exemption from several labor and environmental restrictions, and qualification for U.S. government buying preferences, technical support and training programs. ◇ In addition, FTZ residents receive convenient, one-stop decision making on project approval, the waiver of performance and fidelity bonds, land and building lease fees and the issuance of bonds.

**CHECKING OUT THE POSSIBILITIES**

It's a quote that's been around forever. It's to the point. It even brings on an inevitable, knowing chuckle. And, it's at the heart of much of the misunderstanding about foreign-trade zones (FTZ).

◇ "Many companies," says Bill Herber, general manager of Greater Indianapolis Foreign-Trade Zone Inc., "just pay the duties up front and consider it an inescapable cost of doing business. But, the Foreign-Trade Zone Act is a lot like the Federal Income Tax Act. They both give ways to cut your tax costs. If a company spends any time, money or manpower on developing a detailed tax strategy, they should also consider developing an informed duty strategy." ◇ Like IRS tax codes, the road to awareness about duty regulations and what FTZs and subzones can do is full of bureaucratic twists and legalistic turns. Yet many of the companies that do their homework and take the time talk to the people who have extensive experience in dealing with customs/FTZ regulations find some surprising ways to save money. ◇ If there's a port of entry nearby, more than likely there's a foreign-trade zone in the area if not in the port itself. The people who run local FTZs have the hands-on, day-to-day experience that's invaluable in assessing the possible benefits FTZ/subzone status could bring to all or part of your operations. In fact, filling out an FTZ Savings Worksheet (see

**"DEATH AND TAXES  
ARE INEVITABLE."**

— Thomas C. Haliburton

opposite) with local FTZ officials is a good way to start up a conversation. ◇ Another wealth of FTZ knowledge can be found in Washington at the National Association of Foreign-Trade Zones (NAFTZ- Tel: 202-429-2020; FAX: 202-429-0274). The association has a number of brochures and information packages

that can lay the groundwork for a basic understanding of how FTZs work and the benefits a wide variety of industries enjoy. ◇ One way to make a firmer determination on whether an FTZ is right for you is through a feasibility study, which, depending on the complexity of your operations, can be completed by your company. But, NAFTZ officials caution that companies may be best served by a credible consultant or lawyer who understands and has worked in the zone program. ◇ Such consultants, a number of whom are NAFTZ members as consultants and FTZ operators themselves, can evaluate a company's position vis-à-vis FTZ status and customs regulations, assist in the application process and help guide it through the approval process, as well as help the company prepare for FTZ operations once the approval has been granted. ◇ Although it may take some work, and a great deal of patience, the value of FTZ status is being realized each day by companies from coast to coast that took the time check out all the possibilities.

\$\$\$

**SAMPLE FTZ BUSINESS BACKGROUND**

Annual inventory importations: \$50,000,000  
 Inventory turnovers: 4x per year  
 Average duty rate: 10%  
 Interest rate: 12%  
 Annual customs duty expense: \$5,000,000  
 Annual interest expenses: \$600,000  
 Average interest expenses: \$150,000

**YOUR BUSINESS**

\$ \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_ %  
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 \$ \_\_\_\_\_

**SAMPLE FTZ BUSINESS****FTZ SAVINGS****YOUR BUSINESS**

Cash Flow/Inventory Cost of Money = \$150,000  
 (value of imported parts in avg. inventory X avg. duty rate X interest rate)  
 (i.e., \$50,000,000/4 inventory turnovers X 10% X 12%)

\$ \_\_\_\_\_

Obsolete/Surplus (5%) = \$250,000  
 (value of imported parts X avg. percentage obsolete/surplus X avg. duty rate)  
 (i.e., \$50,000,000 X 5% X 10%)

\$ \_\_\_\_\_

Waste/Scrap/Engineering Change (5%) = \$250,000  
 (value of imported parts X avg. percentage waste/scrap X avg. duty rate)  
 (i.e., \$50,000,000 X 5% X 10%)

\$ \_\_\_\_\_

Exports (15%) = \$750,000  
 (value of imported parts X export percentage X avg. duty rate)  
 (i.e., \$50,000,000 X 15% X 10%)

\$ \_\_\_\_\_

International Returns (2%) = \$100,000  
 (value of imported parts X return percentage X avg. duty rate)  
 (i.e., \$50,000,000 X 2% X 10%)

\$ \_\_\_\_\_

Zone-to-Zone Transfer (10%) = \$500,000  
 (value of imported parts X transfer percent X avg. duty rate)  
 (i.e., \$50,000,000 X 10% X 10%)

\$ \_\_\_\_\_

Military Sales (5%) = \$250,000  
 (value of imported parts X military percent X avg. duty rate)  
 (i.e., \$50,000,000 X 5% X 10%)

\$ \_\_\_\_\_

Inverted Duty = \$875,000  
 (value of imported parts X [domestic % — military % — zone transfer %]  
 X difference between part rate and inverted rate)  
 (i.e., \$50,000,000 X [85% — 5% — 10%] X 2.5%)

\$ \_\_\_\_\_



**FTZ  
#143**

**WEST  
SACRAMENTO,  
CALIFORNIA**

**AT A GLANCE...**

**O**perated and managed by the California Free Trade Zone (CFTZ), Foreign-Trade Zone #143 consists of two buildings totaling 133,000 square feet on an eight-acre site. CFTZ offers a full array of services for both FTZ and public warehouse uses including a modern, narrow-aisle rack system.

**FTZ SERVICES**

general warehouse; transportation coordination; third-party logistics; quality control services/facilities; repackaging/relabeling services; export services; E.D.I. (Electronic Data Inter-exchange); computerized inventory control; U.S. Customs bonded Container Freight Station; short- & long-term lease space; build-to-suit; facilities development; complete FTZ/subzone consultation services

**CONTACT**

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California Free Trade Zone  
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**T**he people at California Free Trade Zone (CFTZ) who operate and manage FTZ #143, are firm believers that flexibility is the key to any FTZ operation. The phenomenal success of FTZ #143 would seem to prove their point.

◇ CFTZ services run the gamut from providing simple lease space for those who want to "do their own thing" to operating a state-of-the-art, wire-guided racking system that offers a completely integrated third-party inventory and logistics system for client companies. These integrated systems make all kinds of dollars and sense to companies like Hewlett-Packard (H-P). ◇ "One of the primary reasons Hewlett-Packard uses the California Free Trade Zone

is...their use of a state-of-the-art racking system. It provides for more efficient

use of space, thereby keeping our costs down," says Tom Ashburn, H-P's support materials general manager. ◇ Just how efficient is this type of system? ◇ "Even though a company may pay slightly more per square foot for the narrow-aisle space," explains Chris Koelfgen, CFTZ executive vice president, "they still save money because they find they're using far less of it, for



example 10,000 square feet vs. 25,000 square feet in a more traditional warehouse." ◇ FTZ #143's flexibility and efficiencies can also be found in customized stock and transaction reports, on-line data communication links to client companies and the area's first U.S. Customs' approved Container Freight Station (CFS). ◇ The CFS allows exporters to load their cargo into maritime containers, and transport them to the Port of Export at no extra cost. Less than a Container Load (LCL) shipments can be combined with other partial loads at the CFS as well. Importers can have their shipments sent directly to the CFS rather than clearing U.S. Customs at the port of import. In some cases, delivery can be made directly to a company's loading dock. ◇ When it comes to innovative ways to save money, FTZ #143 and the California Free Trade Zone are a hard combination to beat.



## **INDIANAPOLIS, INDIANA**

### **AT A GLANCE...**

**T**he Greater Indianapolis Foreign-Trade Zone at the Indianapolis International Airport is a full-service operation that maximizes efficiencies for companies competing in the global economy with an experienced, professional staff that conducts just-in-time (JIT) operations for a variety of clients. It actively supports nine subzones and has four subzone applications pending.

### **FTZ SERVICES**

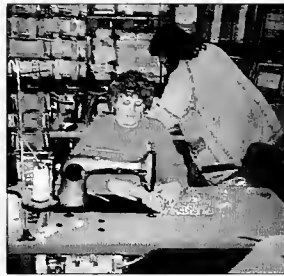
general warehouse;  
transportation coordination;  
third-party logistics; quality  
control services/facilities;  
repackaging/relabeling  
services; import/export  
services; E.D.I. (Electronic Data  
Inter-exchange); computerized  
inventory control; special  
services as requested by user

### **CONTACT**

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**W**hile every U.S. port of entry is near an FTZ and all but one state in the nation has a zone, the Greater Indianapolis Foreign-



Trade Zone (GIFTZ) is unique. It's the largest and one of the most active general-purpose zones

in the United States. ◇ In 1992, the federal government approved the zone's expansion from just 15 acres to 5,500 acres — the total acreage owned by the Indianapolis Airport Authority (IAA), which manages the zone. ◇ Indianapolis' application for the expansion is representative of the farsighted strategy pursued by the IAA over the past decade. This preparation for the future is one of the reasons United Airlines selected Indianapolis for its new \$1 billion maintenance operation center. Before the final decision

was announced, the IAA had already put in place much of the infrastructure needed for the development. ◇ The land's pre-approved zone status can be activated for interested companies of any size in as little as 30-60 days through the U.S. Customs Service district office. The zone currently leases 20,000 square feet of warehouse space at the airport and an additional 15,000 square feet in a neighboring industrial park. The IAA has nine approved subzones (in automobiles, electronics and pharmaceuticals), with four additional companies awaiting subzone application approval. ◇ The Indianapolis area provides distribution advantages to manufacturers, cargo and freight forwarders or any company having shipping and receiving requirements. IAA also is home to Federal Express' second largest hub and the U.S. Postal Service Eagle Network



Hub. Due to the close proximity of the hubs, GIFTZ users have a longer, more flexible shipping day for worldwide distribution of mail,

cargo and freight. Not surprisingly, Indianapolis is ranked the 12th largest cargo airport in the United States.

## **CEDAR RAPIDS, IOWA**

### **AT A GLANCE...**

**T**he Cedar Rapids Airport FTZ is comprised of the entire 2,984-acre airport property, which includes a new passenger terminal, extensive modern air cargo facilities, and numerous commercial and general aviation services. Plus, a public bonded warehouse facility owned by Iowa Midland Supply Inc. is located 10 miles north of the airport.

### **FTZ SERVICES**

general warehouse; export services

### **CONTACT**

Lawrence K. Mullendore,  
Airport Director  
Cedar Rapids Airport  
2515 Wright Brothers Blvd., S.W.  
Cedar Rapids, IA 52404

Tel: 319-362-3131  
FAX: 319-362-1670

**P**roviding the passenger and cargo air transportation facilities and services needed for the continued growth and prosperity of Cedar Rapids and eastern Iowa has always been an important part of the Cedar

developing an intermodal complex designed to link different types of cargo transportation. Our proximity to interstate highways and rail lines and access to available land puts the Cedar Rapids Airport in a



strong position to assist with high cargo flow in the Midwest." ◇ Cedar Rapids is rapidly becoming an important hub for international trade and is the United States' largest national exporter on a per capita basis. ◇ The Cedar Rapids Airport

Rapids Airport mission. ◇ Take one look at the population, economic, business and other growth indicators for the Cedar Rapids/Iowa City/Marion area and all of eastern Iowa, and it's readily understandable why the Cedar Rapids Airport has undertaken an aggressive capital improvement program and obtained foreign-trade zone status. More than 100 companies in and around Cedar Rapids actively participate in world markets. ◇ "Developing quality facilities for domestic and international air cargo and FTZ activities are high priorities for the Cedar Rapids Airport," says Larry Mullendore, airport director. "The airport has extensive modern air cargo facilities, and we are actively investigating the feasibility of

designation as a general purpose foreign-trade zone includes the entire 2,984-acre airport property and a public bonded warehouse facility. Iowa Midland Supply Inc., under an agreement with the airport, operates the FTZ. ◇ "The FTZ designation is an integral part of a long-standing effort to attract new businesses, including multinational corporations, to Cedar Rapids and eastern Iowa," says Mullendore. "This is a strong, vibrant area with an excellent workforce and business perspective. The Cedar Rapids Airport is well positioned and equipped to create and accommodate growth."



**FTZ  
#40**

**CLEVELAND,  
OHIO**

**FTZ SERVICES**

gen'l warehouse; transportation coordination; third-party logistics; quality control svcs.; repackaging/relabeling svcs.; export svcs.; comp. inventory control; and worldwide door-to-door service

**CONTACT**

Roy F. Knapp Jr., Dir./Trade Dev.  
Cleveland-Cuyahoga County  
Port Authority  
101 Erieside Avenue  
Cleveland, OH 44114-1095

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FAX: 216-241-8016

**C**ompetitiveness in the global marketplace is well served in America's heartland by FTZ #40 and its rapidly expanding subzone network in Cleveland, Ohio, which handles over \$6 billion in FTZ-accommodated goods. Surrounded by the economic might of the nation's industrial Midwest, the zone provides direct access to world markets via land, sea and air. ◇ FTZ #40 has two general purpose sites. The 110-acre Port of Cleveland complex on the southern shore of Lake Erie provides 600,000 square feet of multipurpose buildings, served by 11 berthing docks with dry and

liquid bulk cargo handling equipment, as well as a full range of steel and general cargo handling equipment. The port also provides nearly 60 acres of open storage area and direct rail connections to three major railroads. ◇ The numerous advantages of FTZ utility are available immediately south of the Cleveland-Hopkins International Airport. Formerly the Cleveland Tank Plant, the 175-acre area contains 2.2 million square feet of storage, manufacturing and exhibition space, including the International Exhibition Center.

**FTZ  
#138**

**COLUMBUS,  
OHIO**

**FTZ SERVICES**

warehouse/distribution; transportation coordination; third-party logistics; quality control services/facilities; export services; E.D.I. (Electronic Data Inter-exchange); computerized inventory control

**CONTACT**

Jonathan Griffis, General Mgr.  
Rickenbacker Development Corp.  
65 E. State Street, Suite 712  
Columbus, OH 43215

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FAX: 614-228-2525

**FTZ** #138, which includes the entire 1,600-acre Rickenbacker Air/Industrial Park, puts world markets and suppliers at your doorstep with a state-of-the-art airport and air cargo distribution facility, supported by easy access to rail and trucking transportation networks. ◇ The cornerstone of the FTZ's distribution capabilities



is the 275,000-square-foot Rickenbacker Air Cargo Hub facility. The hub is designed to

accommodate the operational requirements of both narrow and wide-body jet aircraft. The facility

also features a sort center which utilizes heavy freight forklifts and transfer vehicles with a fully automated small package sorting system of belts, chutes and slides that handles conveyable packages weighing up to 70 pounds at a rate of 10,000 pieces per hour. ◇ Adjacent to Spiegel's new 1,300,000-square-foot distribution center, the Air/Industrial Park and FTZ #138 provide businesses with single-day distribution to nearly two-thirds of the U.S. population. Prime commercial and airside land is available for development.

**FTZ  
#136**

**CAPE  
CANAVERAL,  
FLORIDA**

**AT A GLANCE...**

**T**he only FTZ in the world to offer four modes of transportation (air, land, sea and space), FTZ #136 currently consists of three public warehouse facilities offering approximately 100,000 square feet of leasable space, and two satellite and payload processing facilities for the U.S. commercial space industry.

**FTZ SERVICES**

general warehouse;  
transportation coordination;  
third-party logistics;  
repackaging/relabeling  
services; export services;  
computerized inventory control

**CONTACT**

Max Willis,  
Director/Foreign-Trade Zone  
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FAX: 407-784-6223

**N**ot only does FTZ #136 provide state-of-the-art facilities and services for the exchange of goods by rail, truck, ship and plane here on Earth, they're also processing products for space.

◇ Space-related users of FTZ #136 include Astrotech Space Operations, which accepted three foreign and seven domestic payloads for launch processing operations in 1992. Eight of the payloads were launched into space via U.S. launch companies from area launch pads. ◇ Florida's first subzone is at Flite Technology Inc. (FTI), which manufactures and rebuilds machine components used in plastic-producing equipment. ◇ "The main thing," explains Ron Anderson, FTI's operations manager, "is the turnaround—we're able to offer our overseas customers. Before, the faulty machinery would have sat in customs while all the paperwork



and duty payments got processed. Now, we can virtually pick it up the same day, with no out-of-pocket duty payments. We've cut turnaround by one-third and boosted export sales by nearly 25 to 30 percent."

◇ Another FTZ user, The Foreign Trade Zone Group Inc.,



FLITE TECHNOLOGY

offers companies full FTZ service in 55,000 square feet of public warehouse space. "There are nearly 400 ships a year that visit the port," says Jim Galluzzi, FTZ Group president. "They're always looking for supplies, and we're in a perfect position to accommodate them."

◇ Using its FTZ status, the Group stores all dutiable and non-duty materials (e.g., carpet, machinery, equipment & goods) for one of the major cruise lines. This co-mingling of taxable and non-taxable merchandise under one roof would be impossible in a bonded warehouse notes Galluzzi.

◇ Another key to success, is their unique logistics management system. "We have a very sophisticated bar-coding system," says Galluzzi. "Because we handle so many different things, we designed our own system. Both U.S. Customs and our customers love it because we have constant, total visibility over every single item in the warehouse."

**JACKSONVILLE,  
FLORIDA**

**AT A GLANCE...**

**T**he 1,380-acre FTZ is managed and operated by Unit Distribution of Florida and covers five sites around the Greater Jacksonville area. This includes 545,000 square feet of food-grade warehouse distribution space, which is accessible by both rail and truck and supported by a full array of distribution and logistical services.

**FTZ SERVICES**

general warehouse;  
transportation coordination (incl. bonded cartman); third-party logistics; quality control services/facilities;  
repackaging/relabeling services; export services;  
E.D.I. (Electronic Data Interchange); computerized inventory control; and a crate shop for export orders

**CONTACT**

Jacksonville Port Authority  
c/o Neil Porter, V.P./Gen'l Mgr.  
Unit Distribution of Florida  
5510 W. 12th Street  
Jacksonville, FL 32205

Tel: 904-781-4701  
FAX: 904-783-6645

**T**his 1,380-acre zone covers five sites scattered throughout the Greater Jacksonville area. While not all are currently activated, they include two sites at the Jacksonville International Airport and two sites in the city's port areas. The fifth site, in western Jacksonville, includes a 545,000-square-foot, full-service warehouse. The zone is managed and operated for the Jacksonville Port Authority by Unit Distribution



of Florida, a subsidiary of The Unit Companies, one of the nation's largest providers of warehouse distribution services. ♦ FTZ #64 users have full access to the Unit Companies' complete line of distribution and logistical support services. Businesses can track and manage inventory through a complete system that includes a modular in-house developed software program covering virtually all aspects of receiving, order processing, picking, shipping, inventory control, management reporting and even warehouse planning. Zone users can also tap

into Unit's nationwide facilities network, which can reach 99 percent of the continental U.S. population within a day's time. ♦ According to Neil Porter, Unit Distribution's vice president and general manager, the range of products that FTZ #64 has handled in the automotive industry alone is a good example of the diversified abilities FTZs possess. Besides being one of the nation's largest ports of entry for automobiles, the zone has also seen truck axles, automobile bulbs, universal joints and transmissions from France pass through its portals. ♦ The zone's diversity and responsiveness was recently underscored by the experience of seven customs brokers who realized they had a quota-busting shipment of Australian meat arriving soon. "We activated some refrigerated space at the port," says Porter, "and went ahead and brought the meat in there. We got that space activated in a matter of 10 days. Customs and the Port Authority really bent over backwards to help. It was a real education for the brokers on what FTZs can do."



# 21 WAYS

# TO WIN IN AN FTZ

**1)** Imports may enter & be held in an FTZ without customs duties. Duty is paid only when those imports are shipped into U.S. Customs territory.

**2)** Customs duties are not paid on merchandise exported from an FTZ.

**3)** Duties are reduced or eliminated on materials subject to defect, damage, obsolescence, waste & scrap.

**4)** Duties are not owed on labor, overhead or profit attributed to FTZ production operations.

**5)** FTZ users can pay the duty rate on component material or merchandise produced from component materials — whichever is lower.

**6)** Merchandise may be exported & returned to an FTZ without duty payment.

**7)** Spare parts may be stored, returned or destroyed without paying duty.

**8)** Most merchandise subject to U.S. quotas may be held in an FTZ until quotas open.

**9)** Delays in customs clearances & duty drawback procedures are eliminated.

**10)** Quality control inspections can identify sub-standard goods to be destroyed or returned without duty payment.

**11)** No country-of-origin labels are required on merchandise admitted to an FTZ.

**12)** Customs supervision of security procedures saves on individual security expenses & insurance.

**13)** Increased accountability reduces problems with inaccurate inventory, receiving & shipment, and helps track waste & scrap.

**14)** Merchandise used/consumed in FTZ processing is generally not subject to duties.

**15)** Tangible personal property held in an FTZ for export is not subject to state & local ad valorem taxes. Most states & counties exempt all FTZ merchandise from inventory taxes.

**16)** Merchandise may be held for exhibition without duty payment.

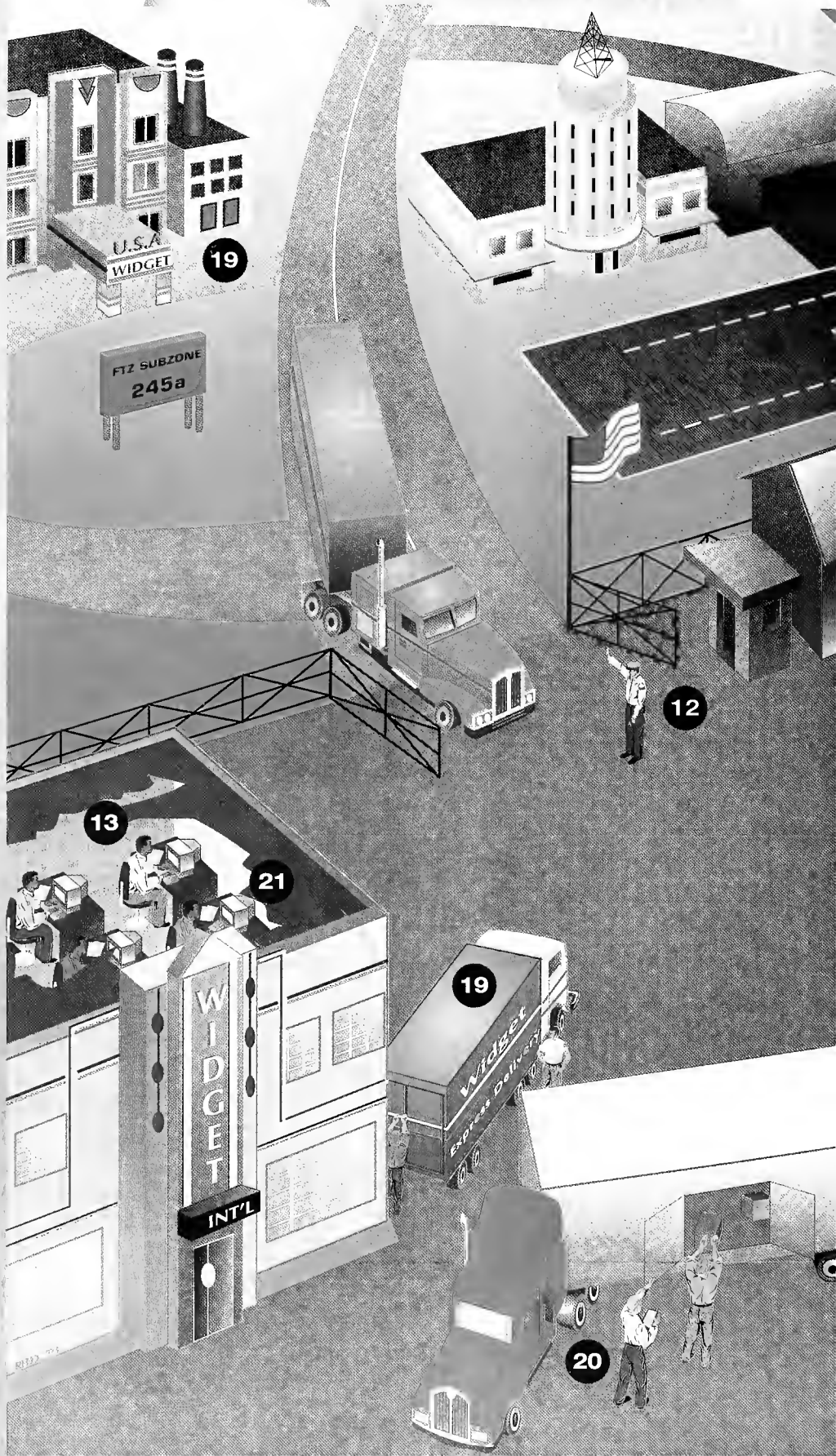
**17)** Duty payable on FTZ merchandise need not be included when calculating insurable value.

**18)** Due to FTZ security, discounted cargo insurance rates (up to 40% off) have been negotiated.

**19)** No duty is owed on in-bond, zone-to-zone transfer of FTZ merchandise.

**20)** Title of merchandise may be transferred in an FTZ if there is no "retail" sale.

**21)** Specific merchandise ID is unnecessary. FIFO (first in - first out) & FOFI (foreign first) inventory methods are acceptable in an FTZ.







## **GULFPORT, MISSISSIPPI**

### **FTZ SERVICES**

general warehouse;  
transportation coordination;  
third-party logistics;  
repackaging/relabeling  
services; export services;  
computerized inventory control

### **CONTACT**

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**L**ocated on the Gulf of Mexico, FTZ #92 comprises approximately 4,000 acres at the deep-water Mississippi State Port at Gulfport, the Gulfport/Biloxi Regional Airport (with a 9,000-foot, all-weather runway with full ILS) and two county-owned industrial parks with direct rail and barge connections, as well as immediate access to I-10. The port handles container and break bulk-cargoes, with U.S. Customs, USDA, FDA and INS services readily available. ◇ Three of the four subzones associated with FTZ #92 are shipbuilding operations. One of the nation's largest, Ingalls Shipbuilding, a

subsidiary of Litton Industries, was able to use its FTZ/subzone status to help land an important contract. ◇ Like other client nations, Israel wanted to use certain equipment and components from its own industry in its ships. With FTZ/subzone status, Ingalls stayed competitive with other shipbuilders around the world because there is no duty (estimated at approximately \$3.1 million) assessed on the components being imported for the ships.

## **Subzones getting more attention**

**F**or globally-minded business executives who are less than enthusiastic about moving all or part of their operations overseas to stay competitive, a relatively old idea is proving to be a real solution to their modern dilemma. Across the country, astute executives with their eyes firmly locked on both short- and long-term savings are taking the time to investigate and implement foreign-trade subzones within their factory walls. ◇ Created by the Foreign-Trade Zones Act of 1934, a foreign-trade zone (FTZ) is a site where merchandise is considered to be in international commerce (i.e., U.S. Customs duties or taxes do not apply while in the FTZ). These FTZ sites are in or near a port of entry and may have many different companies operating within its boundaries at any given time. A subzone differs from an FTZ in that it is a single company operating separately from, but with the special privileges of, an FTZ. Subzone status is not restricted to U.S. firms. ◇ "Any company can apply," says



FTZ #84 - JACKSONVILLE, FL

Brandi Drago, executive director of the National Association of Foreign-Trade Zones (NAFTZ). "The main goal is to attract companies, whether they are American or foreign companies, that could be doing business in other countries."

◇ Almost any industry can utilize the FTZ/subzone program. Today, there are FTZs in nearly all 50 states and Puerto Rico. General purpose zones number over 180, while the total number of subzones has exploded during the last decade with well over 200 now approved. One of the highest concentrations of subzones (18) can be found in the Detroit area. All of them are in the automotive industry, and they serve as a prime example of how subzones are utilized. ◇ It's a cold, hard fact in today's automotive economics that all automobiles produced in the U.S. contain foreign parts. When automakers import parts without subzone status, they can pay duty rates on tens of thousands of individual parts ranging anywhere from 3.1 to 11 percent. Yet foreign automakers pay only 2.5 percent duty on foreign manufactured cars. Automakers can combat this inverted tariff by assembling cars in a subzone. By using a combination of domestic and foreign parts, they pay a duty rate on the assembled car equal to the rate paid by foreign competitors (2.5 percent). Not only does this keep American automakers competitive at home, they also save money by not having to pay any duty on those parts when the car is exported to



**FTZ  
# 21**

**SUMMERVILLE,  
S. CAROLINA**

**FTZ SERVICES**

general warehouse/distribution; transportation coordination; third-party logistics; quality control svcs.; repackaging/relabeling svcs.; export svcs.; computerized inventory control; design & build special tenant facilities; office & svcs. rental; consolidation of exports

**CONTACT**

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**F**TZ #21 is served by an intermodal transportation network that provides solid connections to the Port of Charleston, just 25 miles away, and the world beyond. Facilities include a 200,000-square-foot warehouse/distribution and manufacturing building and a 35,000-square-foot manufacturing unit. ◇ It's here that one of the nation's more unique FTZ users can be found. Collins & Co. Imports brings rum from Jamaica, while gold-foiled labels arrive from Germany, corks from Portugal

and bottles from Canada and Germany. The company puts it altogether to produce a variety of rums and liqueurs under the Sangster's Old Jamaica label. ◇ "Our biggest savings," reports Deborah Gerstemeier, Collins' chief operations officer, "is not on duty per se, although it is important. Our biggest savings is the federal excise tax on liquor. It's \$25 a case on rum. We still have to pay it, but we don't have to pay until we actually sell the product."

markets outside the U.S. ◇ Companies in any industry can turn to their local FTZ for help in assessing their needs for and assistance in gaining subzone status. In fact, company subzones must be sponsored by a general purpose zone. Yet automakers are not alone in having a vested interest in subzone operations. ◇ "If you are making radios," explains Drago, "you bring in certain components that may have a duty on them of 15 percent. Yet your completely assembled radio only has a duty of 5 percent when it leaves the zone. You've just saved yourself 10 percent. There is also the added cost savings when you don't have to pay anything out in terms of interest, cash flow or holding costs. That's because no money is tied up or spent on duties until it leaves the zone for the U.S. market. All the time you're manufacturing, all the time it takes you for storage or warehousing, doesn't cost you anything up front in the way of import duties or taxes." ◇ Catherine Durda, president of NAFTAZ and manager of the Port Authority of New York & New Jersey's Communications Division, emphasizes that small businesses are just as eligible for subzone status as are large corporations. "It's not only for the multinationals or the major *Fortune* 500s" says Durda. "It's for a small importer that may only need it once or twice a year, but it makes substantial contributions to his or her cost savings...Companies should be looking at it as another tool to improve their competitiveness and to maintain their positions and their production plants here in the United States." ◇ Gaining subzone

status is a process that requires a great deal of investigation and patience. It also requires the expertise of people who know the nuances of the FTZ program, the various federal trade programs, as well as international trade in general. ◇ "The individual company," advises Durda, "should become familiar with foreign-trade zones, how they work and their advantages by gathering as much information as possible. I would contact my nearest general purpose zone grantee — they should be close by — and brainstorm with them. Contact the Foreign-Trade Zones Board and NAFTAZ for additional information. These are the three resources where companies can get most of the nuts and bolts on what a zone is and what it can or cannot do." ◇ Not surprisingly, Durda is also a firm believer in the concept that companies expanding or relocating a facility should make FTZ/subzone status an integral part of their location analysis. ◇ "Depending on my company's needs, I would zero in on a location because of a variety of factors," says Durda. "Then, I'd say, 'OK, I think I want to be here. Now, is there a zone grantee here that would be supportive and help me and be able to serve my needs?' ◇ "Typically," explains Durda, "the foreign-trade zone closest to your intended site will be cooperative and more than happy to work with you. If it doesn't work, then, according to regulations, you do have the option of working with the next closest FTZ or someone else, or with the Foreign-Trade Zones Board to find a suitable grantee that can address your specific needs."

**FTZ  
#62**

**BROWNSVILLE,  
TEXAS**

**AT A GLANCE...**

**C**omprised of four sites (Port of Brownsville Turning Basin, Brownsville-South Padre International Airport, Harlingen Industrial Park & the Airpark at the Valley International Airport), FTZ #62 can handle almost any type of zone activity from open-yard storage to liquid storage to warehouse storage.

Manufacturing operations can be easily accommodated with approval of necessary permits.

**FTZ SERVICES**

general warehouse; computerized inventory control; zone staff maintains complete inventory control records and required U.S. Customs reports; liaison between zone user & U.S. Customs; provides training in zone requirements and procedures; helps coordinate documentation for customhouse brokers; acts as independent auditor for inventory control at zone sites

**CONTACT**

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**W**ith the massive North American market inching closer to reality every day, it's becoming clear that one of the primary gateways into this monolithic market is FTZ #62 in Brownsville, Texas. Strategically situated on the Mexican border and the Gulf of Mexico, Brownsville puts companies in a prime location to capitalize on both countries' business advantages. ◇ The FTZ itself provides four very accessible sites, totaling nearly 2,500 acres. These include: the Harlingen Industrial Park and the Airpark at the Valley International Airport; the Brownsville Turning Basin, an inland deep water port served by a 17-mile Gulf channel with exceptional ship, barge, truck and rail connections; and the Brownsville-South Padre Island International Airport with 200 acres of land and

immediate access to airport taxiways. ◇ Bill Challenger, terminal manager for Statia Terminals, says his 1.6 million barrel (67.2 million gallon) capacity bulk storage facility and its FTZ status offers his customers a great location and a great way to save money. "The advantage," says Challenger, "is that they can bring their product in from a foreign source, store it in a modern, secure facility and then ship it easily into Mexico without paying any duty while it's here. In addition, the paperwork and the involvement of U.S. Customs is a whole lot easier being in the FTZ than in a bonded storage facility." ◇ Other businesses, like Panasonic Industrial Co., that serve twin plant operations in Mexico (i.e., General Motors' Delco division), find Brownsville's FTZ particularly appealing. Panasonic personnel receive radio components from Japan, perform quality control checks on each one and then warehouse them for just-in-time delivery to Delco, all without paying any duty on either the components or the labor used to inspect them. The Brownsville operation has proven so successful that it nearly doubled its size, from 16,000 square feet to 28,000 square feet, just two years after it opened.



**FTZ  
# 68**

**EL PASO, TEXAS**

**FTZ SERVICES**

general warehouse; transportation coordination; third-party logistics; quality control services/facilities; repackaging/relabeling services; export services; E.D.I. (Electronic Data Inter-exchange); computerized inventory control; worldwide door-to-door service

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**S**ituated at the heart of the U.S.-Mexico border, more than 20 international companies are active FTZ warehouseers or manufacturers at the 15 general-purpose FTZ sites throughout Greater El Paso. Nearly 8 million square feet of modern industrial buildings exist at or near El Paso International Airport, rail, interstate highway or the U.S.-Mexico border crossings. Active customs brokers, warehouse and freight forwarders are also available on site. ◇ FTZ users are also able to tap into a

motivated, well-educated workforce drawn from El Paso's 500,000 residents who enjoy all the park-filled city has to offer. This friendly, open environment is extended to FTZ operations as well. FTZ # 68 boasts "open zone" operations where businesses can activate zone status in all or part of their property, and modern inventory control systems and individual building security systems often replace the typical fenced-in spaces of other FTZs.

**FTZ  
# 149**

**FREEPORT,  
TEXAS**

**FTZ SERVICES**

general warehouse; third-party logistics; repackaging/relabeling services

**CONTACT**

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**L**ocated strategically on the midcoast of the Gulf of Mexico, just an hour south of Houston, is



the Port of Freeport and FTZ #149. This dockside zone offers companies some of the most modern facilities available for getting their products to and

supplies from markets throughout North America and around the world. ◇ Activated in 1988, Freeport's FTZ #149 is situated in the heart of the 15,000-acre port and includes a 227,000-square-foot manufacturing and warehouse

complex with an adjacent rail spur. The port features more than 2,000 feet of dockspace, a covered boxcar loading area and a recently completed container yard that has convenient electrical hookups for refrigerated containers. ◇ The port is also nearing completion on an ambitious improvement program. Completed portions include the dredging and deepening of the harbor and channels to 45 feet and widening to 400 feet. Today's modern freighters and tankers can also take advantage of an expanded 1,200-foot turning basin.

**FTZ  
#12**

**McALLEN,  
TEXAS**

**AT A GLANCE...**

**F**TZ #12, located just three miles north of the Reynosa International Bridge, is a major customs port of entry on the Texas-Mexico border. The zone is an 80-acre tract that offers full 24-hour security, customs assistance and a competitive edge to any business interested in reducing production costs.

**FTZ SERVICES**

general warehouse; third-party logistics

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**T**he attraction of FTZ status varies from company to company, whether they're large or small. For the past 20 years, the McAllen Foreign-Trade Zone has proven that fact over and over again. ◇ One of McAllen's earliest users was National Medical Care (NMC), which produces medical devices for human dialysis, primarily for the U.S. market. Mickey Sepulveda, director of operations for NMC, believes the FTZ has benefited the company in several ways in the past and will continue to do so in the future. ◇ "We bring in an awful lot of materials and components from foreign sources," says Sepulveda. "We do the initial manufacturing here in the McAllen facility (approximately 250 people), and then the finishing is done in Reynosa, Mexico (approximately 850 people). The security of the zone, for our materials and our employees, is also very important." Without having to pay the duties on exports,

Sepulveda thinks the FTZ also gives an edge for expansion in the future. ◇ Security and proximity to clients are the concern of one of the zone's newest residents, Rio Grande Label, Inc., a small subsidiary (eight employees) of Oklahoma Label, a printer in Oklahoma City. The company has created a niche in the zone, providing pressure sensitive labels and packaging for many companies operating in the zone. "One of the main reasons I'm here," says Vice President Todd Slocumb, "is that I'm within walking distance of many of my customers. The security is real nice too, because we need the high security for some of our work we do for the Mexican lottery." ◇ Cash flow is one of the things that keeps the Robert Barnes Customs Brokerage facility busy in FTZ #12. Client companies, like textile and electronics-related operations, avoid paying duty on materials and components stored in the zone that are heading into Mexico for manufacturing. Only when the finished products are brought into the United States, from either Mexico or the zone, do they pay duty.

## **SAN ANTONIO, TEXAS**

### **AT A GLANCE...**

**B**ecause of its proximity to Mexico and major U.S. trade routes, San Antonio is a major transportation & distribution center. Its FTZ sites are conveniently located on major interstate highways and railroads. Over 900 acres of prime build-to-suit, developed land is available for sale or lease, plus warehouse and air cargo facilities.

### **FTZ SERVICES**

general warehouse;  
transportation coordination;  
export services; computerized  
inventory control; U.S. Customs  
Examination Station; bonded  
warehouse; U.S. Customs Port  
Office on-site (airport)

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**G**iven its location, modern infrastructure and reputation as a dynamic city, it's not surprising that San Antonio is considered to be the "Connection to the Americas." A key part of that identity is based on San Antonio's FTZ #80. ◇ The zone's six



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locations, strategically situated throughout the community, provide FTZ users with a variety of facilities and sites, each of which have convenient access to major interstate highways and railroads. With more than half (\$18.2 billion) of the U.S. exports to Mexico and nearly \$11 billion of the imports from Mexico traveling through the San Antonio region, FTZ #80 users are well situated to capitalize on a major distribution trade route that's only going to get busier. ◇ FTZ #80 facilities include 57,600 square feet of warehouse space with direct rail access operated by Southwest Freight Inc. Short- and long-term users benefit from the facility's computerized inventory/invoice system, its bonded warehouse and the accessibility of customs personnel

manning the on-site Customs Examination Station. ◇ Other FTZ sites in San Antonio include an 80,000-square-foot cargo facility and a 60,000-square-foot build-to-suit cargo facility at San Antonio International Airport. "Our cargo growth has been quite strong," says Rick Naylor, Aviation Dept. assistant director. "We've had a 260% increase between 1985 and 1991." Potential FTZ users can also serve global markets and suppliers from the Freeport Business Centre, the Cornerstone Business Park, the Tri-County Business Park and the Foster Ridge Park. Each full-service park provides 225 acres of FTZ designated space with additional areas for mixed use that includes business, light and heavy industrial development. In addition, the Freeport Business Centre offers a 483-acre development featuring an Agri-Business Complex that will capitalize on distribution of U.S./Mexican produce. ◇ City officials have selected the parks as strategic locations for development of the city's International Logistics Centers concept. A joint public-private partnership has been formed to develop facilities in the parks (e.g., executive office suites, showrooms, computer centers, public & private warehousing, container yards, etc.) that maximize the utilization of FTZ status.

## **MOUNT OLIVE, NEW JERSEY**

### **AT A GLANCE...**

**T**he New Jersey Foreign-Trade Zone (NJFTZ) is a 300-acre FTZ located within the International Trade Center, a multi-use business park being developed by The Rockefeller Group primarily on a build-to-suit basis. The NJFTZ contains warehouse, distribution, light-assembly/mfg. and headquarters facilities for multinational corporations.

### **FTZ SERVICES**

transportation/distribution coordination; third-party logistics; repackaging/relabeling & export services through third-party vendors; E.D.I. (Electronic Data Interchange); computerized inventory control; complete FTZ/subzone consultation services; facilities development, construction, management, marketing & leasing services

### **CONTACT**

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**F**or nearly 10 years now, the New Jersey Foreign-Trade Zone (NJFTZ) development team, directed by The Rockefeller Group, has attracted a solid clientele of FTZ user companies, including BMW of North America, Calvin Klein Cosmetics Co., Kenwood U.S.A. Corp. and SEIKO Corp. of America. "Even though we are nearly 70 percent occupied," says Joe O'Connor, director of operations for the NJFTZ, "the NJFTZ continues to attract strong interest among the world's leading industrial companies."

◇ O'Connor says he and his staff (which represents nearly 40 years of experience in trade,



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transportation and customs matters) also are receiving more and more requests to share "what

we've accomplished in New Jersey." ◇ The growing number of consulting requests has led to the development of a detailed three-phase approach for companies or organizations exploring the bottom-line possibilities of FTZ/subzone status. The first part centers on a detailed feasibility study of the client and how the FTZ program or other customs initiatives



directly relate to the client's business. It pinpoints potential savings, if any, and the estimated costs to implement the recommendations. This is based on a in-depth study of the organization's operations and how they mesh with existing U.S. Customs rules. ◇ If FTZ/subzone status is still viable after the initial study, the team can then assist the client in completing the intricate and complex process of applying for and receiving FTZ status. Finally, while the application is undergoing review, part three of the process takes place. ◇ While many companies go into "neutral" during the sometimes protracted application processing period, O'Connor keeps clients busy preparing to activate a Standard Operations Procedural Manual and the necessary inventory control systems and procedures. To avoid problems later, O'Connor and his team help clients develop procedures that meet government guidelines. It's a win-win strategy for all involved.



## **FULTON COUNTY, NEW YORK**

### **AT A GLANCE...**

**F**TZ #121 and Fulton County are one and the same. This county-wide foreign-trade zone at the gateway to the Adirondack Mountains is centrally located, providing convenient one-day, round-trip access to such major markets and ports as New York City, Boston, Montreal, Buffalo and Toronto.

### **FTZ SERVICES**

general warehouse;  
transportation coordination;  
third-party logistics; quality control services/facilities;  
repackaging/relabeling services;  
export services; E.D.I.  
(Electronic Data Inter-exchange);  
computerized inventory control;  
county economic development corporation provides financial packaging, turn-key/build-to-suit for lease or purchase, construction management, one-stop permit assistance, labor access and training

### **CONTACT**

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**T**he people of Fulton County, in central New York, like to put everything into one tidy package. Maybe that's why the entire county is an FTZ. With ready access to major markets and



myriad incentives and amenities, the county offers companies with global connections a package deal that's hard to resist. ♦ According to Tom Murphy, vice president of marketing for the Fulton County Economic Development Corp., FTZ status was a simple matter of business practicality. "Primarily," says Murphy, "what we wanted to do was to be able to offer it, to make it available. If we've got a company that's going to import a lot of foreign components or raw materials,

then we have a competitive advantage." ♦ This county-wide FTZ advantage also can be found in the more than 200 acres of fully developed industrial parks that feature heavy-duty roads and all utilities, including fiber optics. Potential FTZ users also can get more for their investment dollars if they locate in the county's Economic Development Zone (EDZ). Benefits of the EDZ program include: up to 50% savings on utility costs, a 25% wage tax credit for new hires, 100% real property tax abatements, 19% investment tax credit for machinery and equipment purchases, and up to 50% on-the-job-training wage subsidy. ♦ The "county of 44 lakes" also administers a revolving loan pool of more than \$4.5 million, which has funded projects in excess of \$50 million over that past five years. This pro-active attitude to business is also apparent in other ways. ♦ "What we're trying to do here," says Murphy, "is meet needs. For example, we just completed the permit and approval process for a 30,000-square-foot chemical distribution facility in just 31 days. All of it, the FTZ and everything else, adds value to our community and makes it a more attractive place to do business."

# FTZ #49

## NEW YORK, N.Y.

### AT A GLANCE...

**T**he entire 2,100-acre Port Newark/Elizabeth Marine Terminal is designated as a foreign-trade zone, any portion of which may be activated. Additionally, the zone encompasses the 41-acre Global Marine Terminal in Jersey City/Bayonne; the 135-acre Port Authority Auto Marine Terminal in Jersey City/Bayonne; the 124-acre Elizabeth Industrial Port; and the 53-acre Greenville Industrial Park.

### FTZ SERVICES

general warehouse; repackaging/  
relabeling services; E.D.I.  
(Electronic Data Inter-exchange)

### CONTACT

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■ If you've ever wondered if more is really better, then FTZ #49 at the Port of New York-New Jersey will make you a true believer. Few operations offer better location, facilities and services than those found in FTZ #49. ◇ The massive 2,100-acre zone stakes its claim on being the largest contiguous FTZ in the United



States with more than 5.5 million square feet of space available for storage and distribution. There are also large tracts of land, including prime waterfront locations, available for build-to-suit operations. FTZ #49 includes the Port Jersey/Greenville Auto Marine Terminal, a 135-acre, state-of-the-art facility for landing, processing and storing automobiles. ◇ Yet the zone's huge size does not preclude smaller companies from reaping FTZ advantages.

Expressport Plaza is a singular solution for smaller, self-contained operations, and it's here that companies can utilize 5,500 square feet of office/warehouse units that can be customized for light manufacturing or assembly, warehousing and distribution, or for sales or showroom operations. ◇ Those

who have short-term or small space needs may want to minimize overhead costs by taking advantage of the zone's full-service public warehousing operations like Tyler Distribution Centers Inc. Basil Buchanan, Tyler's general manager, notes that many businesses are still unaware of the added benefits FTZ users enjoy over regular bonded warehouses, especially when it comes to manipulation of merchandise (FTZs - yes; bonded warehouses - no) and the maximum period of storage (FTZs - indefinite; bonded warehouses - five years). ◇ Whether they are large or small, FTZ #49 users have direct access to nearly one-third of the U.S. population on an overnight delivery basis. This vast market's accessibility is guaranteed by one of the world's most sophisticated and comprehensive intermodal distribution systems situated in and around the port. Whether it's by plane, ship, rail or truck, FTZ #49 has it all, and a whole lot more.



PUBLIC SERVICE ELECTRIC & GAS CO., N.J.

Like any highly organized endeavor, FTZs operate on many of their own terms and definitions. Below is a short list of some of the most common buzz words used when speaking "FTZese."

**ALTERATION** - 1.) A change in the boundaries of an activated zone or subzone; 2.) Activation of a separate site of an already-activated zone or subzone with the same operator at the same port; 3.) The relocation of an already-activated site with the same operator.

**ALTERNATIVE INVENTORY CONTROL SYSTEM (AICS)** - A former system of inventory control, manual or automated, based on records maintained by a zone grantee, operator or individual zone user, rather than by customs.

**AUDIT-INSPECTION PROCEDURES** - Procedures to reduce on-site supervision of zones and to increase zone operation flexibility. These procedure systems may be manual, computerized or a combination of both.

**CONSTRUCTIVE TRANSFER** - A legal fiction that permits acceptance of a customs entry for merchandise in a zone before its physical transfer to the customs territory.

**CUSTOMS GUARDS** - In practice, no zones have customs guards. However, the zone grantee or operator furnishes the necessary security, along with a bond to cover the duties on any goods found short in the zone.

**CUSTOMS TERRITORY** - The territory of the U.S. in which the general tariff laws of the U.S. apply. U.S. Customs territory includes only the states, the District of Columbia and Puerto Rico minus any areas within the boundaries of foreign-trade zones.

**DEACTIVATION** - Voluntary discontinuation of the activation of an entire zone or subzone by the grantee or operator. Discontinuance of the activated status of only part of a zone site is an alteration.

**DEFAULT** - An act or omission that will result in a claim for duties, taxes, charges or liquidated damages under the FTZ operator's bond.

**DRAWBACK** - Import duties or taxes repaid by a government, in whole or in part, when the imported goods are re-exported or used in the manufacture of exported goods.

**EXHIBITION** - The showing of merchandise within a zone, usually to prospective buyers. Customs supervision may be required when such exhibition involves packing, unpacking, repacking, assembly or reconditioning of the goods for showing.

**FIRST IN-FIRST OUT (FIFO)** - An accounting method based on the assumption that older stock is disposed of first. This requires merchandise to be fungible without regard to the source, e.g., foreign or domestic and a perpetual inventory system which identifies the merchandise by a unique identifier number (UIN) that distinguishes the goods from all other goods.

**FOREIGN-FIRST (FOFI)** - An accounting method based on the assumption that foreign status merchandise is disposed of first, e.g., if 100 domestic units and 100 foreign units are commingled in a zone, the first 100 units withdrawn would be identified as the foreign units. Permission to use FOFI must be obtained from customs and is granted on a case-by-case basis.

**FOREIGN-TRADE ZONE** - An isolated, enclosed and policed area operated as a public utility, in or adjacent to a port of entry, furnished with facilities for lading, unloading, handling, storing, manipulating, manufacturing and exhibiting goods and for reshipping them by land, water or air. Any merchandise, except that which is prohibited by law or other applicable regulations, may be brought into a zone without being subject to the customs laws of the United States and may be stored, exhibited, manufactured, mixed or manipulated in any manner as provided in applicable laws and regulations. Merchandise is subject to customs duties if it is sent into customs territory from the zone, or it may escape such duties if it is exported from or destroyed in the zone.

**FOREIGN-TRADE ZONE ACT** - The Foreign-Trade Zone Act of June 18, 1934 (48 Stat. 998-1003; 19 U.S.C. 81a-81u), as amended.

**FOREIGN-TRADE ZONES BOARD** - Established to carry out the provisions of the Foreign-Trade Zone Act, the board consists of the Secretary of Commerce (chairman & executive officer of the board), the Secretary of the Treasury and the Secretary of the Army.

**GRANTEE** - A corporation to which the privilege of establishing, operating and maintaining a foreign-trade zone has been granted by the Foreign-Trade Zone Board.

**INVERTED TARIFF STRUCTURE** - Where imported inputs (parts) are dutiable at higher rates than the finished product into which they are incorporated.

**MANIPULATION** - As defined in Section 562 of the Tariff Act, processing wherein merchandise is packed, unpacked, repacked, cleaned, sorted, graded or otherwise changed in condition. The precise distinction between manipulation and manufacturing is subject to interpretation and enjoys a long history of case law.

**MANUFACTURING** - The U.S. Customs Service determines what constitutes manufacturing on a case-by-case basis, distinguishing it from other such operations as manipulation, processing, production and blending. The FTZ Board has defined it as any process that results in a change in customs classification of the merchandise, and therefore, requires prior clearance from the Board pursuant to the manufacturing conditions in specific foreign-trade zone grants.

**MERCHANDISE** - Includes goods, wares and chattels of every description, except prohibited merchandise, building materials, production equipment and supplies for use in operation of a zone.

**(CONDITIONALLY ADMISSIBLE) MERCHANDISE** - Merchandise that may be imported into the U.S. under certain conditions, is subject to permits or licenses, or must be reconditioned to bring it into compliance with applicable laws of the U.S.

**(DOMESTIC - D) MERCHANDISE** - Those goods that have been produced in the U.S. and not exported therefrom, or previously imported into the customs territory of the U.S. with payment of all applicable duties and taxes.

**(FOREIGN) MERCHANDISE** - Imported merchandise that has not been properly released from customs custody into the customs territory of the U.S.

**(FUNGIBLE) MERCHANDISE** - Merchandise that, for commercial reasons, is identical and interchangeable in all situations. Originally applied to bulk liquids or free-flowing substances, it is now applied to shipments of goods that arrive packed, but are unpacked and placed together in storage or manufacturing locations so that identification with the shipment as admitted to the zone is lost. Concept widely used in manufacturing environments where it is not feasible to store goods in their original lots awaiting manufacture.

**(MIXED STATUS) MERCHANDISE** - Foreign merchandise that has been combined with domestic merchandise in a zone.

**(NON-PRIVILEGED FOREIGN - NPF) MERCHANDISE** - Foreign merchandise or non-tax paid domestic merchandise upon which the duty and applicable taxes will be determined at the time the merchandise enters the customs territory of the U.S. from the zone for consumption.

**(PROHIBITED) MERCHANDISE/OPERATIONS** - Merchandise of which importation is prohibited by law (e.g., literature urging treason or insurrection against the U.S., obscene pictures, etc.); or certain operations involving specific merchandise (e.g., tobacco, cigars, cigarettes, firearms, distilled spirits/alcohol, etc.); or retail sales in a zone.

**(PRIVILEGED FOREIGN - PF) MERCHANDISE** - Foreign merchandise or non-tax paid domestic merchandise upon which the duty and applicable taxes have been determined at the time PF status is approved. PF duty rate and taxes are not subject to future fluctuation and status cannot be changed.

**(ZONE RESTRICTED - ZR) MERCHANDISE** - Merchandise admitted to a zone for the sole purpose of exportation or destruction. ZR merchandise may not enter customs territory for consumption except when approved by the FTZ Board.

**OPERATOR** - A corporation, partnership or person that operates a zone or subzone under the terms of an agreement with the grantee. A grantee may act as its own operator.

**OPERATOR'S BOND** - A bond submitted to customs, on Customs Form (CF) 301, to assure compliance with customs regulations as set forth at 19 CFR 113.73.

**REACTIVATION** - A resumption of the activated status of an entire area that was previously deactivated without any change in the operator or the area boundaries, as opposed to an alteration (boundaries are different) or an activation (operator is different).

**SUBZONE** - A special purpose zone established as part of a zone project for a limited purpose that cannot be accommodated within an existing zone.

**UNIQUE IDENTIFIER NUMBER (UIN)** - Unique numbers and/or letters that identify merchandise admitted to a zone. This cumulative identification method allows inventory levels to be more readily adjusted on a FIFO or FOFI basis.

**USER** - A person or firm using a zone for storage, handling or processing of merchandise. NOTE: An operator may authorize a user to maintain its own inventory system and manual, however, the operator remains responsible to customs for the system unless the user posts its own operator's bond.

**ZONE PROJECT** - All of the zone and subzone sites under a single grantee, normally a single port of entry.

**ZONE STATUS** - The status of merchandise admitted to a FTZ, i.e., domestic (D), non-privileged foreign (NPF), privileged foreign (PF), or zone restricted (ZR) status.

For more information, contact:

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